

**ASSESSING THE RELATIONSHIP BETWEEN  
FACTORS AND STRATEGIES USED BY ENTREPRENEUR  
IN THE INTERNATIONALIZATION OF  
MALAYSIAN SMALL MEDIUM ENTERPRISES (SMEs)**

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**MASTER OF SCIENCE IN INTERNATIONAL BUSINESS  
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IN THE INTERNATIONALIZATION OF  
MALAYSIAN SMALL MEDIUM ENTERPRISES (SMEs)**

**By**

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**Thesis Submitted to the College of Business,  
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Master of Science in International Business**



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## ABSTRAK

Disertasi ini menyiasat hubungan di antara faktor-faktor yang berpengaruh terhadap strategi-strategi yang akan diguna pakai oleh usahawan dalam mengantarabangsakan perusahaan kecil dan sederhana khususnya dalam industri pembuatan di Malaysia. Pengantarabangsakan perusahaan-perusahaan kecil dan sederhana saiznya telah dijalankan dengan meluas namun pengetahuan ini terhad khususnya dalam mengetahui bagaimana dan mengapa perusahaan-perusahaan ini mengambil tempat di negara membangun dan kekurangan bukti ini dalam kesusasteraan menyediakan asas yang kukuh dalam pelaksanaan kajian ini. Siasatan dalam kajian ini mengfokuskan kepada tiga teori utama yang mana ialah Model Uppsala, Teori Rangkaian dan juga Teori Keusahawanan Antarabangsa.

Perspektif ini mengkaji faktor-faktor yang mempengaruhi pengantarabangsakan perusahaan kecil dan sederhana dengan melihat strategi-strategi yang diguna pakai oleh usahawan termasuk mod kemasukkan pasaran asing serta pilihan terhadap pasaran-pasaran juga disiasat. Pendekatan kuantitatif digunakan dalam mengkaji 250 perusahaan kecil dan sederhana di Malaysia dengan mengfokuskan kepada individu-individu yang terlibat secara langsung dalam pembuatan keputusan pengantarabangsakan perusahaan mereka terutamanya Ketua Eksekutif, Eksekutif utama dalam perusahaan, pengasas atau pemilik dan ini dijalankan dengan menjawab kepada kajian soal selidik yang disediakan dan seterusnya beberapa analisis statistik asas telah dijalankan.

Keputusan menunjukkan bahawa, terdapat satu perhubungan bererti di antara orientasi-orientasi keusahawanan dengan strategi-strategi yang digunakan oleh usahawan dalam mengantarabangsakan perusahaan kecil dan sederhana Malaysia manakala faktor jarak psikik & orientasi-orientasi pemasaran dan juga faktor rangkaian perhubungan tidak mempengaruhi strategi-strategi yang digunakan oleh usahawan Malaysia.

## **ABSTRACT**

This dissertation investigates the relationship between influential factors and the strategy used by entrepreneur in the internationalization of SMEs in manufacturing industries in Malaysia. Internationalization of small and medium-sized enterprises (SMEs) has been widely researched but little is known of how and why internationalization takes place in developing countries and this lack of evidence in the literature provides strong grounds for this study. Investigation on internationalization in this study focused on the three main internationalization theories which are Uppsala Model, Network Theory and International Entrepreneurship Theory.

These perspectives examine the influential factors relevant to SMEs internationalization upon the strategy used by entrepreneur including the mode of foreign market entry and market selections were investigate. A quantitative approach were employed in this study where 250 Malaysian-based CEOs and/or key executives from SME manufacturing industries using a survey questionnaire as well as some basic statistical analyses were conducted. Result shows that, there is a significant relationship between entrepreneurial orientations with strategies used by entrepreneur in the internationalization of Malaysian SMEs while psychic distance & market orientations and network relationships does not influence strategies used by entrepreneur.

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## **LIST OF ABBREVIATION**

<b>APEC</b>	<b>Asia-Pacific Economic Cooperation</b>
<b>ASEAN</b>	<b>Association of Southeast Asians Nations</b>
<b>CEO</b>	<b>Chief Executive Officer</b>
<b>COO</b>	<b>Chief Operation Officer</b>
<b>FMM</b>	<b>Federation of Malaysian Manufactures</b>
<b>GSP</b>	<b>Global Supplier Programmed</b>
<b>IET</b>	<b>International Entrepreneurship Theory</b>
<b>ILP</b>	<b>Industrial Linkages Programmed</b>
<b>IMPs</b>	<b>Industrial Master Plans</b>
<b>INVs</b>	<b>International New Ventures</b>
<b>MATRADE</b>	<b>Malaysia External Trade Development Corporation</b>
<b>MD</b>	<b>Managing Director</b>
<b>MDTCC</b>	<b>Ministry of Domestic Trade, Co-operatives and Consumerism</b>
<b>MECD</b>	<b>Ministry of Entrepreneurship and Cooperation Development</b>
<b>MIDF</b>	<b>Malaysian Industrial Development Finance</b>
<b>MITI</b>	<b>Ministry of International Trade and Industry</b>
<b>MOA</b>	<b>Ministry of Agriculture and Agro-Based Industry</b>
<b>MTDC</b>	<b>Malaysian Technology Development Corporation</b>
<b>NEM</b>	<b>New Economic Model</b>
<b>NICs</b>	<b>Newly Industrialized Countries</b>
<b>NPC</b>	<b>National Productivity Corporation</b>
<b>NSDC</b>	<b>National SME Development Council</b>
<b>SME Corp.</b>	<b>Small Medium Enterprises Corporation Malaysia</b>
<b>SMIs</b>	<b>Small to Medium Industries</b>
<b>WTO</b>	<b>World Trade Organization</b>

# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 An Overview**

The internationalization of Small and medium enterprises (SMEs) and various aspects of their businesses has been receiving much attention from scholars and practitioners over the recent years. SMEs play an increasingly active role in international markets in recent years and rapidly expanding their businesses to international markets, using international diversification as an important strategic option to achieve growth.

As a newly industrialized country, Malaysian economy predominantly depends on the performance of SMEs. However, very little is understood about the role and internationalization of SMEs on how and why SMEs internationalize. The internationalization of SMEs in Malaysia warrants investigation because this sector produces goods for international trade; however, there is little empirical evidence of why and how the Malaysian SMEs penetrate the international market.

A newly industrialized country defined as “country that has recently increased the portion of its national production and exports derived from industrial operations” (Wild, Wild, & Han, 2003, p.125). Malaysia best fits the classification of a newly industrialized country for two reasons. First, for the past five years, the country’s exports recorded a growth of about 10 percent a year (Ministry of Finance Malaysia, 2005), and second, among the ASEAN-4 (Malaysia, Indonesia, Philippines and Thailand), the net export growth increased from 6.7 percent to 7.3 percent in 2005-2006 respectively (IMF, 2006).

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